

SENATE BILL NO. 2102

Introduced by

Finance and Taxation Committee

(At the request of the Tax Commissioner)

1 A BILL for an Act to amend and reenact section 57-38-35.2, subsection 15 of section 57-38-40,
2 and subsections 1 and 2 of section 57-38-45 of the North Dakota Century Code, relating to the
3 payment of interest on income tax refunds; and to provide for retroactive application.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Section 57-38-35.2 of the 1997 Supplement to the North
6 Dakota Century Code is amended and reenacted as follows:

7 **57-38-35.2. Interest payments.**

8 1. ~~If, for any portion of the time period over which interest is otherwise computed~~
9 ~~under this section on a refund, interest was previously computed under~~
10 ~~subsection 1 of section 57-38-45 on additional tax due for any tax period, the~~
11 ~~interest computed on the refund for that portion of the time period must be~~
12 ~~computed at the same rate and in the same manner that was used in computing~~
13 ~~the interest on the additional tax due, but only to the extent that the amount of the~~
14 ~~refund does not exceed the amount of the additional tax due.~~

15 2. ~~To the extent subsection 1 does not apply, interest~~ Interest at the rate of ten
16 ~~percent per annum~~ one per cent per month or fraction of a month must be allowed
17 and paid upon overpayments of ~~income taxes~~ tax as follows:

18 a. ~~No interest accrues~~ Interest on refunds arising from excess income tax
19 withholding or overpayment of ~~declarations of estimated tax reported on the~~
20 ~~taxpayer's return for that tax period if a refund~~ accrues for payment is made
21 ~~within~~ forty-five days after the due date of the return or after the date the
22 return was filed, whichever comes later.

23 b. Interest on refunds arising from amended returns or claims made for credit or
24 refund accrues for payment from the due date of the return, ~~without regard to~~

1 ~~extensions of the time for filing the return,~~ to the date of payment of the
2 refund, ~~except that if the refund payment is made within forty five days of the~~
3 ~~date the amended return or claim is filed, interest accrues to the date the~~
4 ~~amended return or claim is filed~~ excepting the month in which the return was
5 required to be filed.

6 c. Interest on refunds arising from net operating loss carrybacks or capital loss
7 carrybacks accrues for payment from the due date of the return for the year,
8 determined without regard to extensions of the time for filing, giving rise to the
9 loss carryback, to the date of payment of the refund, except that no interest
10 accrues if the refund payment is made within forty-five days of the date the
11 amended return or claim is filed to claim the refund attributable to the net
12 operating loss or capital loss carryback.

13 ~~3.~~ 2. No interest may be paid on refunds arising from amended returns or other claims
14 filed for taxable years beginning before January 1, 1979.

15 **SECTION 2. AMENDMENT.** Subsection 15 of section 57-38-40 of the 1997

16 Supplement to the North Dakota Century Code is amended and reenacted as follows:

17 15. If the tax commissioner determines there has been an overpayment of tax, any
18 overpaid penalty and interest on that tax must be refunded or credited by the tax
19 commissioner. If interest is paid under section 57-38-35.2, no interest will be paid
20 under this subsection.

21 **SECTION 3. AMENDMENT.** Subsections 1 and 2 of section 57-38-45 of the 1997

22 Supplement to the North Dakota Century Code are amended and reenacted as follows:

23 1. In addition to other increases to tax and penalty prescribed in this chapter, a
24 taxpayer is subject to interest as follows:

25 a. Any taxpayer who requests and is granted an extension of time for filing a
26 return shall pay, with the tax, interest on the tax at the rate of twelve percent
27 per annum from the date the tax would have been due if the extension had
28 not been granted to the date the tax is paid.

29 b. If any amount of tax imposed by this chapter, including tax withheld by an
30 employer, is not paid on or before the due date or extended due date for the
31 payment, there must be added to the tax interest at the rate of one percent

- 1 per month or fraction of a month during which the tax remains unpaid,
2 computed from the due date of the return to the date paid excepting the
3 month in which the return was required to be filed or the tax became due.
- 4 c. If upon audit an additional tax is found to be due, there must be added to the
5 additional tax due interest at the rate of one percent of the additional tax for
6 each month or fraction of a month during which the tax remains unpaid,
7 computed from the due date of the return to the date paid, excepting the
8 month in which the return was required to be filed or the tax became due.
- 9 d. If the mathematical verification of a taxpayer's return results in additional tax
10 due, there must be added to the additional tax interest at the rate of one
11 percent of the additional tax due for each month or fraction of a month during
12 which the tax remains unpaid, computed from the due date of the return to the
13 date paid, excepting the month in which the return was required to be filed or
14 the tax became due.
- 15 e. ~~If, for any portion of the time period over which interest is otherwise computed~~
16 ~~under this subsection on additional tax due, interest was previously computed~~
17 ~~under subsection 2 of section 57-38-35.2 on a refund for any tax period, the~~
18 ~~interest computed on the additional tax due for that portion of the time period~~
19 ~~must be computed at the same rate and in the same manner that was used in~~
20 ~~computing the interest on the refund, but only to the extent that the amount of~~
21 ~~the additional tax due does not exceed the amount of the refund.~~
- 22 f. If a deficiency is determined for a tax period for which there was an
23 overpayment that was applied to the following tax period's estimated tax
24 under subsection 6 of section 57-38-62, interest accrues with respect to the
25 amount of the deficiency that is equal to or less than the amount of the
26 overpayment applied from the estimated tax payment date to which the
27 overpayment was applied.
- 28 2. In addition to the interest prescribed in this chapter, a taxpayer is subject to
29 additions to tax and penalty as follows:
- 30 a. If any taxpayer, without intent to evade any tax imposed by this chapter, shall
31 fail to pay the amount shown as tax due on any return, including tax withheld

- 1 by an employer, filed on or before the due date or extended due date
2 prescribed therefor, there shall be added to the tax a penalty of five percent
3 thereof, or five dollars, whichever is greater.
- 4 b. If any taxpayer, without intent to evade any tax imposed by this chapter, shall
5 fail to file a return, including the employer's withheld tax return, on or before
6 the due date or extended due date prescribed therefor, there shall be added a
7 penalty equal to five percent of the tax required to be reported, or five dollars,
8 whichever is greater, if the failure is for not more than one month, counting
9 each fraction of a month as an entire month, with an additional five percent for
10 each additional month or fraction thereof during which the failure continues,
11 not exceeding twenty-five percent in the aggregate.
- 12 c. If upon audit of a taxpayer's return, including tax withheld by an employer, an
13 additional tax is found to be due, there shall be added to the tax penalty as
14 prescribed in subdivision a or b.
- 15 d. If the mathematical verification of a taxpayer's return, including tax withheld by
16 an employer, results in additional tax due, there shall be added to the tax
17 penalty as prescribed in subdivision a or b.
- 18 e. The provisions of subdivision a, b, c, or d do not apply to the extent it has
19 been determined that the taxpayer has offsetting overpayments of income
20 taxes which have not been refunded.
- 21 f. An employer, required to file returns under subsection 1 of section 57-38-60,
22 with four to eight delinquent original tax returns or payments is subject to a
23 penalty of ten percent of the tax due or twenty-five dollars, whichever is
24 greater. An employer with nine or more delinquent original returns or
25 payments is subject to a penalty of fifteen percent of the tax due or one
26 hundred dollars, whichever is greater.

27 **SECTION 4. RETROACTIVE APPLICATION OF ACT.** This Act applies retroactively to
28 tax years beginning after December 31, 1997.